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Introductory Chapter: Looking for the Way Forward in Eradicating Poverty and Inequality

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1. Introduction

Poverty is the “*worst form of pollution*” said Indira Gandhi at the United Nation conference held in 1972 in Stockholm [1]. Her words shocked the audience to some extent, especially those from developed countries who were worried—and they still are—about the degradation of natural environment and global warming. But, looking back, Indira Gandhi was right. Firstly, the deterioration of living standards of a large percent of world population is the most urgent problem that needs to be solved. Poverty is nothing else than a “disease” of our society, a “pollution” of the social environment. Secondly, the research findings illustrate that degradation of natural environment, pollution, deforestation, and so on affects more the poor than the rich. Thirdly, deterioration of the equilibrium between natural, economic, and social environment deepens the gap between rich and poor and increases inequality. This multidimensional equilibrium is vital for individuals and nations to experience a sustainable economic development. Therefore, by analyzing the meanings of these simple (but complex) words of Indira Gandhi, both scholars and policy makers might be helped to understand that reducing inequality and alleviating poverty could be the best solution in reaching a sustainable development and, at the same time, environmental protection.

2. Shifting the Paradigm

But is the *one size fits all* strategy the best way to eradicate poverty? This question is extremely relevant for both scholars and practitioners since most of the aid programmes developed and implemented by international institutions such as World Bank or UN follow a holistic approach. Their recipe of fostering economic growth and eradicating poverty seems to be the same: what has proved successful in an Asian country should be successful in a sub-Saharan African country as well. If, accidentally, the programme’s key indicators are not achieved,

experts and specialists are asked to identify and include some additional conditionalities that enable aid to work. Considering the past experience that illustrates a relative failure of aid programmes, the goal of eradicating poverty can be achieved only by changing the set of means. For instance, smaller and dedicated programmes focused on a specific and accountable outcome could create more opportunities for the poor to get better living conditions (e.g., some UN agencies solved specific healthcare and nutrition problems in poor countries).

Moreover, poverty persists not only in the Third World and is *not* a macroeconomic variable. There is a plethora of empirical evidence that highlights, for instance, the differences between rural and urban poverty, especially children poverty, no matter how developed the country in which they live is. Therefore, policy makers should understand the unique and dynamic needs of children growing in different social context in order to design more adapted and targeted anti-poverty policies. On the other hand, scholars and researchers should continue their efforts to examine the nuanced differences between urban and rural poverty considering the social context. To best serve underprivileged urban and rural populations, we should focus more on their unique needs and on the institutional framework they live in rather than implementing holistic (and more costly) strategies at the international or national level. This shift of paradigm might be interpreted as *abandoning the forest for the trees*. But, following this metaphorical approach, only the trees are the ones that live in poverty. A poor forest (society) does not exist in the absence of poor trees (people). And the perpetuating and increasing poverty affects the social equilibrium in our society. From a theoretical point of view, the down-top strategies in eradicating poverty might work better than top-down and centrally planned ones.

3. Developments in conceptual framework

In the economic literature, poverty and inequality are frequently related. The conceptual distinction between poverty and inequality is clear: poverty is when people *do not have* very much and inequality is when some people *have more than* others. While poverty is a lack of an “attribute” in relation to a threshold (e.g., income lower than the poverty line), inequality is a condition experienced by a person who is perceiving that he does not equally benefit from the reference “attribute.” Official data illustrate recently that eight people have the same wealth as the half of mankind and more than 10% of world population live in extreme poverty [2]. Is therefore a relationship between inequality and poverty? What if inequality is one of the main determinants of the persistence of poverty in some countries? Why inequality is to some extent neglected by policy makers, while poverty is paying a particular attention?

The role that scholars and researchers have is extremely important in this regard. A deeper exploration and understanding of the nature, causes, and consequences of inequality are needed to find better answers to these questions. In the last decades, thanks to the work of Douglas North and other (new) institutional economists, the present theoretical analyses on poverty and inequality are built on a more sophisticated and complex methodology. The formal and informal sets of rules that prevail in a society influence the individual behavior and create

a pattern of social interactions. Thus, depending on the quality of institutional framework, the economic performance and the distribution of income differ from one society to another. This is the reason why some countries have escaped poverty trap and have experienced high economic growth rates, whereas others remain poor. This is why some countries have positive results in reducing inequalities, whereas others are confronting with larger inequality and social conflicts.

However, a taxonomy of the concept of inequality is needed. The research findings of this sub-field of economics emphasize a distinction between basal inequalities and secondary inequalities [3]. The former is “natural” and comes from unavoidable situation (e.g., parent/child, employer/employee). In this case, no public policy is required to reduce it. But the second ones are avoidable, and from the social perspective, it is desirable to be reduced or eliminated. The secondary inequalities come into play along with fragile institutional framework that produces “unnatural” distribution and redistribution structures of scarce resources of society. This is not only the case of centrally planned economies but also the case of authoritarian political regimes, weak democracies, or nonfunctional market economies. For instance, the connections between interest groups and public officials (that distort free market and fair competition) are able to impose rules of inclusion and/or exclusion to maintain and increase inequalities in their favor.

4. Final remarks

From this perspective, poverty persists because “secondary” inequality and social injustice persist. Indeed, further research on corruption, inequality, and poverty and the correlation among these phenomena are needed in order to find better answers to these important problems of our society.

But, if this conclusion proves to be correct, a general question remains open: as long as the public official benefit or are to some extent part of the interest groups within our modern society, will they adopt institutional reforms aimed to restrict secondary inequalities? Would they give up to their privileges and bail out the poor? If not, the multidimensional equilibrium that I mentioned in the beginning of this chapter will start to decline and we will have to face unpredictable and unaccountable consequences. But we have enough reasons to be optimistic at the dawn of neo-modern world. The openness to trade, the rapid spread of innovations, and the best-practice examples of government policies will demand a change in the political agenda.

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